

HOUSE BILL 118

By Shepard

AN ACT to amend Tennessee Code Annotated, Section 67-4-1004 and Section 67-6-228(a), relative to lowering the sales tax on food and increasing the cigarette tax.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, 67-6-228(a), is amended by deleting the language "six percent (6%)" and by substituting instead the language "three percent (3%)".

SECTION 2. Tennessee Code Annotated, 67-4-1004(a), is amended by deleting the language "ten (10) mills on each cigarette" and by substituting instead the following language: "three and twenty-five hundredths cents (3.25¢) on each cigarette" and by adding the following sentence at the end of the subsection:

On July 1 of each fiscal year, beginning with fiscal year 2008-2009 and continuing until fiscal year 2017-2018, the tax rate on cigarettes shall be increased by fifteen hundredths of a cent (0.15¢) on each cigarette or the amount as determined under Section 3 of this act, whichever is greater.

SECTION 3. The legislative intent of this act is that the fiscal impact of this bill be at least revenue-neutral. For any fiscal year, if the amount of the cigarette tax revenue generated by an increase in the tax rate by fifteen hundredths of a cent (0.15¢) on each cigarette is not sufficient to offset the loss in revenue caused by the decrease in the tax rate on the retail sale of food and food ingredients for human consumption under Section 1 of this act, then the tax rate on cigarettes shall be increased by the amount necessary to offset such loss in revenue. If, for any fiscal year, the revenue generated by the increase in the tax rate on cigarettes exceeds the amount necessary to offset the loss in revenue caused by the decrease in the tax rate on the retail sale of food and food ingredients for human consumption under Section 1 of this act, then such additional revenue shall be applied either to the establishment of a food tax holiday prior to

Thanksgiving or to a further reduction in the tax rate on the retail sale of food and food ingredients for human consumption.

SECTION 4. This act shall take effect July 1, 2007, the public welfare requiring it.